

Message Text

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21

ACTION ARA-10

INFO OCT-01 ISO-00 IO-10 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PA-01 PRS-01 XMB-02 /106 W

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R 022036Z JUN 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5776

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 3816

E.O. 11652: GDS

TAGS: ENRG, EFIN

SUBJ: PRESIDENT RODRIGUEZ PRESS CONFERENCE

1. IN MAY 29 PRESS CONFERENCE, PRESIDENT RODRIGUEZ LARA
LEGITIMIZED MINNATRES SALAZAR'S STATEMENT OF LAST WEEK
ANNOUNCING THE POSSIBILITY OF PETROLEUM TAX CUT. WHEN
ASKED IF THE GOE PLANNED TO CUT PRICES, RODRIGUEZ CONFIRMED
THAT THE RELEVANT STUDIES ARE BEING MADE. HE ADDED QUOTE
OPEC ESTABLISHED A TAX TAKE OF \$10.12 A BARREL. WE HAVE BEEN
COMPLYING WITH THIS RULE. WE SUPPORT OPEC RULES; I HOPE THE
OTHER COUNTRIES UNDERSTAND THAT WE CANNOT CONTINUE NOT SELLING
OUR PETROLEUM. WE ARE THE LITTLE BROTHER OF OPEC. UNQUOTE.
HE WAS ASKED THE BUDGETARY EFFECT OF THE DECLINE IN
PETROLEUM EXPORTS AND THE GROWING BALANCE OF PAYMENTS
DEFICIT. RODRIGUEZ ANSWERED THAT THE MARKET HAS SHRUNK,
CRUDE PRICES OF SOME OPEC MEMBERS ARE ERODING, AND THE
COST OF TRANSPORTATION FOR MIDDLE EASTERN CRUDE HAS
DECLINED. STEPS WILL HAVE TO BE TAKEN, HE SAID, TO
REGULARIZE THE EXPORT OF PETROLEUM, IMPORT SELECTIVELY
AND FACILITATE TRADITIONAL EXPORTS.

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2. THE PRESIDENT ALSO SAID THAT FINMIN MONCAYO HAD SPOKEN WITH VARIOUS DELEGATIONS AT THE RECENT IDB MEETING AND CONVINCED THEM THAT ECUADOR IS NO A RICH COUNTRY DESPITE PETROLEUM PRODUCTION. THE ECUADOREAN POSITION WAS UNDERSTOOD AND, ACCORDING TO THE PRESIDENT, THE LOANS WOULD SOON BE DISBURSED. THERE WAS MUCH SUPPORT, HE SAID, FOR ECUADOREAN CRITICISMS OF ALLEGED U.S. COERCION AND RESTRICTIONS THROUGH THE IDB.

3. THE PRESIDENT ALSO EXPRESSED HIS FAITH IN THE ANDEAN PACT AND SAID THE RESULTS OF THE RECENT MEETINGS ARE VERY PROMISING. HE NOTED THAT HE WAS DISCOURAGED WITH SOME OF THE EARLIER DISCUSSIONS. RODRIGUEZ ASCRIBED SOME OF THIS SUCCESS IN THE PETRO-CHEMICAL AND AUTOMOTIVE SECTORAL ASSIGNMENTS TO CLOSER RELATIONS WITH CARACAS.

4. COMMENT: THE PRESIDENT'S STATEMENT ON PRICES CONFIRMS SALAZAR'S STATEMENT OF LAST WEEK. (QUITO 3603). SALAZAR'S STATEMENT WAS APPARENTLY A TRIAL BALLOON TO GAUGE PUBLIC REACTION BEFORE THE PRESIDENT WAS FORCED TO COMMIT HIMSELF TO A PRICE CUT. ECUADOR COULD LOWER TAXES SIGNIFICANTLY WITHOUT BREAKING THE OPEC DECREED PRICE OF \$10.12 PER BARREL, ALTHOUGH THE PRESIDENT'S SPEECH SERVES TO PUT OTHER OPEC MEMBERS ON NOTICE ABOUT ECUADOR'S QUOTE LITTLE BROTHER UNQUOTE POSITION. (OPEC MEMBERS HAVE NOT COME THROUGH WITH ANY RESPONSE TO ECUADOR'S LOAN REQUESTS.) SOME CUT IN TAXES APPEARS INEVITABLE, ALTHOUGH IT WILL CERTAINLY BE THE MINIMUM ALLOWABLE TO MAKE ECUADOREAN OIL COMPETITIVE. THE PRESIDENT'S SPEECH ALSO WARNS OF THE IMPENDING REINSTATEMENT OF IMPORT CONTROLS, SINCE THE GOE CANNOT LIVE MUCH LONGER WITH SPIRALLING IMPORT LEVELS.
HEMENWAY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, PETROLEUM, TAX RATES, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975QUITO03816
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750192-0941
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750689/aaaaddtn.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2003 by CunninFX>; APPROVED <09 SEP 2003 by WorrelSW>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT RODRIGUEZ PRESS CONFERENCE
TAGS: ENRG, EFIN, EC, (RODRIGUEZ)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006